

# PERSpectives

January 2004

Public Employee Retirement System of Idaho

## PERSI Board recommends full COLA for retirees

Have world financial markets turned the corner? Will PERSI's annual portfolio earnings return to the expected 8 % or more this year? Can PERSI afford to grant retirees the full 2.2% cost of living increase (COLA) starting March 1, 2004? Should the COLA include a retroactive 0.8% discretionary sum not provided last year? Or, should the COLA be held to 1% again this year? These were some of the questions your Board considered at its November meeting to determine what COLA to recommend to the legislature this year.

Portfolio earnings the past three years have been below the threshold 8% return expected over time. In fact, in 2001 and 2002, losses were experienced for the first time since 1984. As a result no discretionary COLA (above the 1% mandatory amount) was granted last year to our 24,018 retired members.

Also, active members and their employers will see their contribution rates increase in July 2004 . While, with the rate increase, PERSI contributions will still be well below the 1997 levels, any increase reduces take home pay. It comes at a time when for some of our 62,376 active members salaries are flat and health insurance premiums are up.

Fiscal year 2003 investments returns improved to 3.7%. As of December, Fiscal Year 2004 returns are running at 11% year-to-date, and



**Jody B. Olson**  
Chairman,  
Retirement Board

over 20% for the calendar year. With record levels of economic stimuli in the markets—high defense spending, low interest rates, tax cuts, and rapidly improving corporate profits—most advisors are forecasting continued good markets for at least the remainder of the Fiscal Year

### An example of how COLAs raise your monthly benefit

Ten years ago in 1994, Rebecca Retiree received what was then the average benefit amount of \$508. With PERSI COLAs, Rebecca now receives \$646 per month. With the COLAs, Rebecca's benefit has kept up with inflation, at 99.2% purchasing power.

Most private pension plans do not offer COLAs. So, if in 1994 Peter Private Plan received the same \$508, he would still be receiving that same \$508, falling far behind Rebecca and her PERSI benefit.

(June of 2004). The Board is cautiously optimistic that world financial markets will be strong enough over the next seven months to maintain or improve on the current investment return. This would fund the full 2.2% retiree COLA and also reduce the unfunded liability amortization period.

PERSI is in business "to provide a secure retirement for public employees." Part of that mission is to provide COLAs whenever possible. In the late 1980s the Board was forced to forego discretionary COLAs three times. We learned that missed COLAs are expensive to make up, but in the 1990s we did provide retro-COLAs to make up for those missed discretionary COLAs. This year, although we are recommending the full 2.2% COLA, we are not able to grant a retro-COLA to make up for last year. Currently, all PERSI retirees have 99.2% purchasing power and the average benefit is \$931/month.

Our system is strong with over \$7 billion in assets. Unlike some of our neighboring states, we have avoided big swings in benefits or contributions.

The 2004 COLA recommended to the legislature is 2.2%. Unless it is changed, the increase goes into effect March 1, 2004. Since PERSI was formed in 1965, the legislature has always agreed with the Board's COLA determination. ♦

# Retired Educators Association of Idaho (REAI) offers many benefits to members

By Charlie Brown, REAI Executive Secretary

The Retired Educators Association of Idaho (REAI), in an effort to improve the quality of health care benefits available to retired school employees, offers a new group Long Term Care program for its members.

Long Term Care is an issue of concern of many retirees. According to the National Association of Insurance Commissioners, 43% of people age 65 and over will need Long Term Care. Unfortunately, many families are not financially prepared for this. REAI's Long Term Care program was approved to help address this. Call 1-800-258-7041 for information about the benefits.

Other benefits offered by REAI include: Medicare supplement plans, a final expense benefit, cancer coverage, and single premium deferred annuities.

After REAI's January State Board Meeting, other benefits expected to be approved for members are: medical air services, hearing devices, travel opportunities, vehicle service

protection, dental service, AAA motor club, professional liability insurance, pet insurance, prescription discount plans and a Dell computer discount.

REAI was founded in 1960 and incorporated in the 90s as a nonprofit organization to also represent the National Retired Teachers Association (NRTA) as AARP's Educator Community.

Membership is available to any person interested in education.

Local unit meetings are held monthly. State meetings will be: April 14, 2004, East  
April 23, 2004, Southwest  
April 30, 2004, North

The REAI State Office is located in the AARP facility at 3080 Gentry Way, Suite 100, Meridian, ID 83642, 208-288-1500. If no answer, call 208-376-5375.

State membership dues are \$15.00 per year and may be deducted from your PERSI benefit at \$1.25 per month. Local unit dues are \$5.00 to \$10.00, paid locally. ♦

If you would like to attend a meeting or become a member, call one of these Local Unit Presidents.

## **Idaho Falls**

Irene Larson, 524-4090

## **Burley**

Dorothy House, 438-5847

## **Pocatello**

Helen Furness, 237-4997

## **Boise, Kuna, Meridian**

Connie Bunch, 376-8325

## **Payette, New Plymouth, Fruitland, Wieser**

Mary Dixon, 642-3085

## **Emmett, Star**

Welles Siefert, 286-7416

## **Coeur d'Alene, Post Falls**

Sharon Bonds, 765-3811

## **Lewiston**

Dawn Harlow, 743-7130.

## **Statewide Unit Contacts**

President Barbara Bowen,  
Lewiston, 743-7034

## **Regional coordinators:**

**East** Rollo Harrison, 678-4705

**West** Sam Snider, 888-7638

**North** Doris Kerns, 783-6751



## **REAI MISSION STATEMENT**

Promote the general welfare and interest of our members; safeguard the state retirement system (PERSI) and gain full COLAs; assist in the enhancement of strong educational systems in Idaho; uphold interest in educational and community affairs; support unit programs; provide opportunities for social interaction and establish a cooperative relationship with NRTA and network with other organizations in matters of interest to REA of Idaho. (The association works with the Public Employees Retirement Coalition (PERC) on legislative matters concerning retirees and PERSI enhanced benefits and COLAs.)

# PERSI earns 3.7% in FY 2003

Current Value of the Fund \$6,547,170,055  
Fiscal Year Change in Market Value \$253,009,168  
Fiscal Year Return 3.7%

## Team approach improves phone service to you

To improve our customer service to you, PERSI has started a new team approach to answering phone calls.

We now have direct dial numbers by topic or need, instead of by individual staff member.

A team of several PERSI staff members are able to help on a topic, instead of just one specific person.

We are not adding staff to do this; we are doing cross-training and sharing of responsibilities.

We believe this will make it easier for you to reach "a live person" when you call, and to receive the help you need faster.

We are noticing less voice mail and callbacks because customers do not need to leave messages.

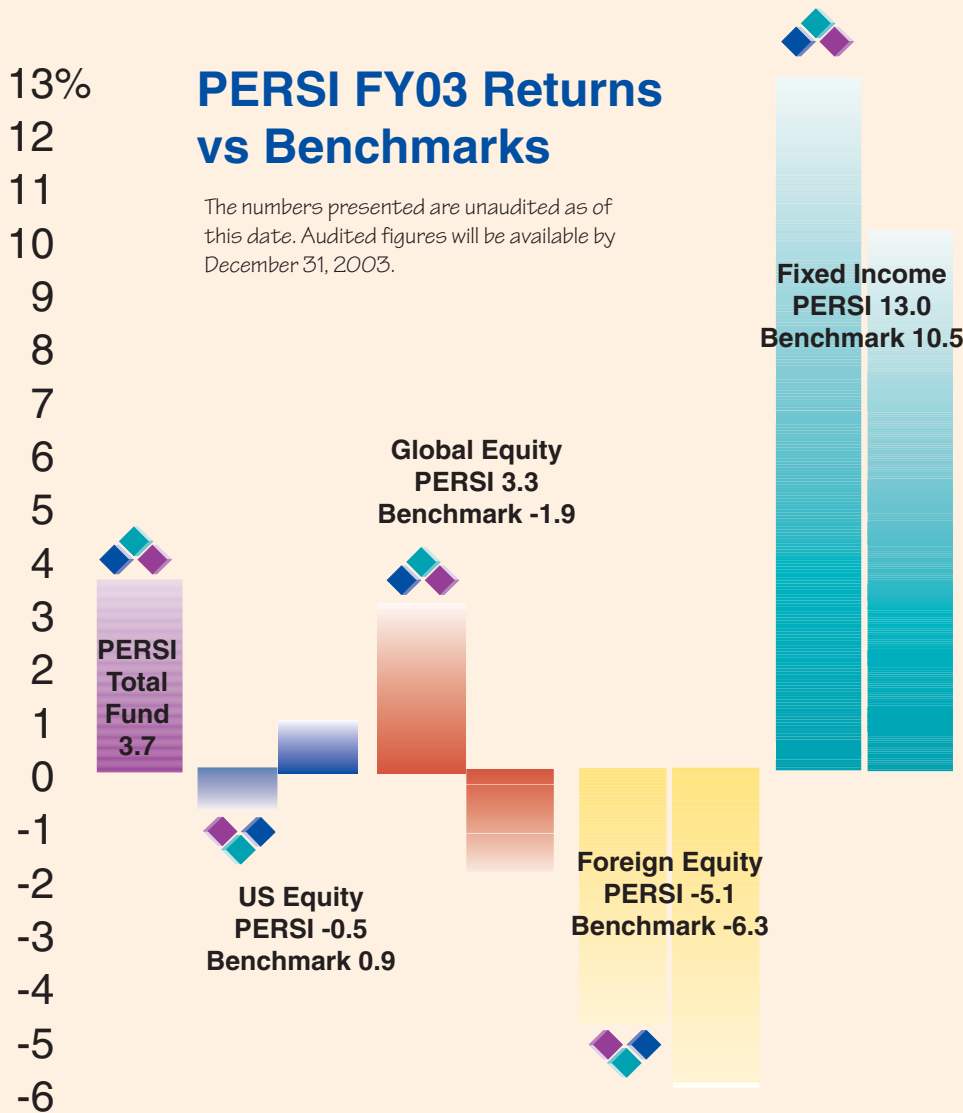
These are the new help lines:

Retiree Insurance	287-9312
Retiree Sick Leave	287-9312
Direct Deposit	287-9313
Retiree Taxes	287-9313
Address Change	287-9313
Death	287-9315
Divorce	287-9316

Or you may continue to call 334-3365 or 1-800-451-8228, but now instead of asking for a specific person, you may just mention the topic. ♦

## PERSI FY03 Returns vs Benchmarks

The numbers presented are unaudited as of this date. Audited figures will be available by December 31, 2003.



The fiscal year ended with the fund up 3.7%, the first positive result in the past three. For the most part, PERSI's investments have done comparatively well and have outperformed our benchmarks. There is hope that the bottom of the market has passed, and that moderate gains may occur this year.

## PERSI Asset Allocation

US Equity 55%  
Fixed Income 29%  
International Equity 13%  
Emerging Markets 3%  
Cash 0%



# Proposed 2004 legislation affecting PERSI

PERSI has three pieces of proposed legislation for the 2004 session. For updates, see our legislative page on our website at [www.persi.state.id.us](http://www.persi.state.id.us).

## Death Benefit Waiver

Currently, a beneficiary of a PERSI death benefit may waive the benefit and have it paid to the member's surviving spouse. At times, a beneficiary may wish to waive the death benefit when there is no surviving spouse. Or, a surviving spouse sometimes wants to waive the benefit and have it paid to the member's heirs via the estate. This is burdensome because it requires filing court documents and generally requires an attorney.

This bill permits designated beneficiaries to simply waive their

death benefit for whatever reason. This will allow beneficiaries to more easily make the benefit available to other family members, requiring only a signed notarized waiver rather than having to file court documents.

## FRF COLA


Firefighter's Retirement Fund (FRF) statutes require an annual calculation of the "Statewide Firefighter Average Salary" used to set the FRF COLA and Option I firefighter contributions. This bill changes the calculation method. The changes will have no impact on FRF members and will be administratively easier for employers and PERSI.

## ORP Eligibility

This bill deals with an eligibility issue created by the interplay between

PERSI and the Optional Retirement Plans (ORPs) of universities. This bill clarifies that ORP-covered employment cannot be considered in reaching eligibility requirements for PERSI-covered employment. ♦

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PERSppectives

Public Employee Retirement System of Idaho

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607 North 8th Street, Boise, ID 83702  
Base Plan: 208.334.3365 or 1.800.451.8228  
Choice Plan: 1.866.ID.PERSI  
[www.persi.state.id.us](http://www.persi.state.id.us)

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P.O. Box 83720  
Boise, ID 83720-0078

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